

**MINUTES
REGULAR MEETING
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**Friday, September 16, 2005
8:30 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Karl Polen, Vice Chair of the ASRS Board, called the meeting to order at 8:38 a.m., MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Dr. Keith Meredith, Chair (via teleconference)
Mr. Karl Polen, Vice Chair
Mr. David Byers
Mr. Jaime Gutierrez
Mr. Chris Harris (via teleconference)
Ms. Anne Mariucci
Mr. Michael Townsend
Mr. Lawrence Trachtenberg (via teleconference)
Mr. Steven Zeman

Absent: None

A quorum was present for the purpose of conducting business.

2. Approval of the Consent Agenda

Motion: Mr. Steve Zeman moved to approve Refunds, Death Benefits and Retirements,

And

Approve the System Transfers,

And

Approve the minutes of the August 19, 2005 Regular Meeting of the ASRS Board,

And

Approve the Notice of Proposed Rulemaking for New Article 6, Public Participation in Rulemaking;

And

Approve the Recommended Administrative Law Judge's Decision Regarding:
Raymond J. Jacobs

Mr. Dave Byers seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding Revised and Streamlined New Retiree Documents

Mr. Paul Matson stated that he was pleased to introduce members of the ASRS team who participated in a staff initiated project that is worthy of special recognition. Ms. Sarah Korish, Member Services Administrator, Ms. Julie Crerand, Retirement Advisor Team Leader, Ms. Nancy Williams, Retirement Benefits Technician and Mr. David Canella, Communications and Media Relations Manager were recognized as the group worthy of recognition.

Ms. Korish addressed the Board, explaining the process the group went through in updating the new retiree documents. She explained that the team had consolidated into one four-page form what had been a maze of paperwork requiring multiple signatures and repetition of data. There is also a companion instruction guide that will supplement the newly simplified form, and the two documents are expected to be easier for prospective retirees to understand and accurately complete. The document improvements will also save time and expense for the agency in mailing costs and fewer rejections. Ms. Korish expects the documents to be implemented in October of this year.

Mr. Matson again recognized the group and their efforts to the Board Trustees, stating that the ASRS has a great staff.

4. Presentation, Discussion and Appropriate Action Regarding the System Actuarial Valuation

In compliance with A.R.S. § 38-714 (H) (3), at the end of each fiscal year, the ASRS actuary performs a valuation of the System to determine its assets, liabilities and the funded status, and reports that information to the Board. Mr. Charles E. Chittenden discussed the June 30, 2005 valuation.

Non-Retired Census Data

Number of Members	238
Total of Balances	\$127.1 million
Average Balance	\$534,034
Average Age	64

Retiree Census Data

	Annuity	13th Check
Number of Members	1,797	1,431*
Average Age	76	78
Total Annual Amount	\$33.9M	\$8.3M
Average Annual Amount	\$18,856	\$5,829
Median Annual Amount	\$9,065	\$2,672
Maximum Annual Amount	\$182,321	\$46,527
*1,626 eligible for 13 th Check. 195 have zero 13 th check amount.		

Liabilities (\$Millions)

	2005	2004
Non-Retired	\$127.1	\$140.8
Annuities	\$312.6	\$299.7
13 th Checks	\$66.1	\$70.3
Total	\$505.8	\$510.8

Funded Status (Amounts in \$Millions)

	2005	2004
Assets*	\$543.1	\$544.7
Liability	\$505.8	\$510.8
Surplus	\$37.3	\$33.9
Funded Status	107.37%	106.64%
*Estimate for 2005		

Mr. Chittenden explained that Rule provides that the ASRS maintain current benefit levels when funded status is 95% to 105%. The funded status as of June 30, 2005 is 107.37%. In view of the volatility of funded status, the recommendation is that the ASRS not adjust any System benefits this year, i.e., pay 13th checks equal to last year's checks, and maintain all benefits and balances at current levels.

Motion: Mr. Steve Zeman moved to accept the Actuarial Valuation of the System for the period ending June 30, 2005.

Ms. Anne Mariucci seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions and 0 excused, the motion passed.

5. Presentation, Discussion and Appropriate Action Regarding the Actuary's Recommendation of Whether or Not to Increase Non-Retired System Members' Supplemental Credit and Retired Members' 13th Checks

Mr. Chittenden, continuing for the previous agenda item, explained that the actuarial valuation for the year ended June 30, 2005 indicates that the funded status of the system is 107.37%, thus requiring Board action.

If the Board were to allocate the surplus, it could do so only insofar as the allocation reduced the funded status to 105%. Thus, the allocation would provide a very small increase (about 2.37%) in member benefits and accounts.

Investment returns in fiscal year 2005 were 8.5%. If the return for 2006 is less than 8%, the System will have an investment loss, and such a loss will be fully reflected in the funded status as of June 30, 2006. If the funded status declines below 95%, the Board must reduce benefits.

For these reasons, staff believes that maintaining the current level of benefits and a funded status of 107.37% is prudent.

Motion: Ms. Anne Mariucci moved to accept the actuary's recommendation and not allocate any excess surplus to the System Members' supplemental accounts and 13th checks.

Mr. Steve Zeman seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion passed.

6. Presentation, Discussion and Appropriate Action Regarding the Status of System Member Benefits and a Draft Proposal to Minimize the Risk Inherent in the System

Mr. Karl Polen explained that Agenda Item 6 would be postponed until a future Board Meeting. There were no objections.

7. Director's Report

Mr. Paul Matson stated that each Board Trustee was given a copy of the Auditor General's Report. There were three main findings in the report. One, that the ASRS Real Estate Committee had certain draft policies in place that should be adopted as final policies. Mr. Matson explained that some of these policies had already been adopted and the rest would be adopted within 30 days. Two, that the ASRS should improve performance in paying some benefits referring specifically to timing issues with new retirement and forfeiture applications, and three, that the ASRS should monitor and assess the plan for the call center. There was some concern that more staff was being allocated to the call center than was necessary and a recommendation to monitor that area closely and, if necessary, reassign staff accordingly.

Mr. Dave Byers commented that generally, the Auditor General's Report can be quite critical, and the report given to the ASRS should be commended. Mr. Karl Polen stated that the Auditor General's Report may come up again at a future meeting when the trustees have had more time to read through the report.

8. Possible Presentation and Discussion Regarding Board Committee Updates

Mr. Jaime Gutierrez, Chair, External Affairs Committee, reported that the External Affairs Committee met last week and several issues were examined. As the Legislative Session starts in January, any relevant issues will continue to be discussed.

Mr. Lawrence Trachtenberg, Chair, Investment Committee, reported that the next Investment Committee meeting will be October 4, 2005.

Mr. Michael Townsend, Chair, Operations Committee, reported that the next Operations Committee meeting is next week on Thursday, September 22, and the committee will be looking at the IT Plan.

9. Board Requests for Agenda Items

No requests were made.

10. Call to the Public

Mr. Bob Letson addressed the Board and Mr. Chittenden regarding the Actuarial Valuation of the System, specifically regarding liability for system payment of health benefits. Mr. Letson asked why there is no information regarding this liability in the report.

Mr. Chittenden stated that System members are paid health benefits through the Plan, not through the System, so those liabilities don't appear in the System report. They are reported in the Plan Report.

11. The next ASRS Board meeting is scheduled for Friday, October 21, 2005 at 8:30 a.m., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

12. Adjournment of the ASRS Board

Mr. Polen adjourned the September 16, 2005 Board meeting at 9:17 a.m.

ARIZONA STATE RETIREMENT SYSTEM

Anne Schrode, Secretary

Date

Paul Matson, Director

Date